



SOUTHERN PACIFIC BANCAPITAL  
A DIVISION OF SOUTHERN PACIFIC BANK

October 15, 2001

Mr. Vernon A. Williams  
Office of the Secretary  
Surface Transportation Board  
The Mercury Building, Room 700  
1925 K Street, NW  
Washington, DC 20423



Dear Secretary Williams:

I have enclosed a copy of the document described below to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code.

This document is a security agreement, a primary document, dated August 29, 2001.

The names and addresses of the parties to the document are as follows:

Debtor: Kasgro Leasing, LLC  
320 East Cherry Street  
New Castle, PA 16102

Secured Party: Southern Pacific BanCapital, a division of Southern Pacific Bank  
23530 Hawthorne Boulevard, Suite 200  
Torrance, CA 90505

Guarantor: Kasgro Rail Corporation  
320 East Cherry Street  
New Castle, PA 16102

A description of the equipment covered by the document follows:

Qty.	Description	Car Number
1	25' 210 Ton 8 Axle FD Flat Car	KRL 25201
6	22' 122 Ton 8 Axle FD Flat Car	KRL 25979
		KRL 25980
		KRL 25981
		KRL 25982
		KRL 25983
		KRL 25984
1	27' 235 Ton 8 Axle FD Flat Car	KRL 27104
2	88' 115 Ton 4 Axle Flat Car	KRL 89117
		KRL 89118

RECORDING NO. 23713 REC'D

OCT 24 '01 8-59 AM  
TS  
SURFACE TRANSPORTATION BOARD

A fee pf \$28.00 I enclosed. Please return the recorded document to:

Carolyn Maddox  
Southern Pacific BanCapital  
8480 E. Orchard Rd., Suite 6900  
Greenwood Village, CO 80111

A short summary of the document to appear in the index follows:

Security Agreement dated as of August 29<sup>th</sup>, 2001 between Kasgro Leasing, LLC (320 East Cherry Street, New Castle, PA 16102) and Southern Pacific BanCapital, a division of Southern Pacific Bank (23530 Hawthorne Boulevard, Suite 200, Torrance, CA 90505) covering 10 railcars, 1 of which is a 25' 210 Ton 8 Axle FD Flat Car, 6 of which are 22' 122 Ton 8 Axle FD Flat Car, 1 of which is a 27' 235 Ton 8 Axle FD Flat Car, and 2 which are 88' 115 Ton 4 Axle Flat Car.

Sincerely,  
Southern Pacific BanCapital, a division of Southern Pacific Bank



Irwin L. Gubman  
General Counsel and Secretary  
Southern Pacific Bank

RECORDATION NO. 23713 FILED

OCT 24 '01

8-59 AM

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SECURITY AGREEMENT

**SURFACE TRANSPORTATION BOARD**

THIS SECURITY AGREEMENT (the "Agreement") is entered into as of this 29<sup>th</sup> day of August, 2001 by and between Southern Pacific BanCapital, a division of Southern Pacific Bank, a corporation organized and existing under the laws of the State of California, with its principal place of business at 23530 Hawthorne Boulevard, Suite 200, Torrance, California 90505 ("Secured Party") and Kasgro Leasing, LLC, a corporation organized and existing under the laws of the State of Pennsylvania with its principal place of business at 320 East Cherry Street, New Castle, Pennsylvania 16102 ("Debtor").

WHEREAS, Secured Party has agreed to provide financing to the Debtor; and

WHEREAS, Debtor has executed that certain Promissory Note (the "Note") of even date herewith pursuant to which Debtor has agreed to repay the amounts due to Secured Party, together with interest thereon; and

WHEREAS, in order to secure the prompt payment of the amounts due under the Note in accordance with the terms thereof, the parties have agreed to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, the covenants set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor and Secured Party hereby agree as follows:

1. CREATION OF SECURITY INTEREST.

Debtor hereby gives, grants and assigns to Secured Party, its successors and assigns, a continuing security interest in and against the Equipment as described on Schedule A attached hereto and incorporated herein by this reference, and in and against any and all additions, attachments, accessories and accessions thereto, any and all substitutions, replacements or exchanges therefor, and any and all insurance and/or other proceeds thereof (all of the foregoing being hereinafter individually and collectively referred to as the "Collateral"). The foregoing security interest is given to secure the payment and performance of Debtor's obligations under the Note and any extensions or renewals thereof (all such obligations are referred to herein as the "Liabilities"). This security interest shall remain in effect until the Liabilities are fully paid, performed, and discharged.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF DEBTOR.

Debtor hereby represents, warrants and covenants as of the date hereof that:

a. Debtor is, and will remain, duly organized, existing and in good standing under the laws of the State set forth in the first paragraph of this Agreement, has its chief executive offices at the location set forth in such paragraph, and is, and will remain, duly qualified and licensed in every jurisdiction where such qualification or licensing is necessary to carry on its business and operations, except where the failure to be so qualified or licensed would not have a material adverse effect on Debtor, its business or operations;

b. Debtor has adequate power and capacity to enter into, and to perform its obligations, under this Agreement and the Note and any other documents evidencing or given in

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connection with, the Liabilities (all of the foregoing being hereinafter referred to as the "Transaction Documents");

c. The Transaction Documents have been duly authorized, executed and delivered by Debtor and constitute legal, valid and binding agreements enforceable under all applicable laws in accordance with their terms, subject, however, to laws of general application affecting creditors' rights and general principles of equity;

d. No approval, consent or withholding of objections is required from any governmental authority or instrumentality with respect to the entry into, or performance by, Debtor of any of the Transaction Documents, except such as may have already been obtained;

e. The entry into, and performance by, Debtor of the Transaction Documents will not (i) violate any of the organizational documents of Debtor or any judgment, order, law or regulation applicable to Debtor, or (ii) result in any breach of, constitute a default under, or result in the creation of any lien, claim or encumbrance on any of Debtor's property (except for liens in favor of Secured Party) pursuant to, any indenture, mortgage, deed of trust, bank loan, credit agreement, or other agreement or instrument to which Debtor is a party;

f. There are no suits or proceedings pending or threatened in court or before any commission, board or other administrative agency against or affecting Debtor which could, in the aggregate, have a material adverse effect on Debtor, its business or operations, or its ability to perform its obligations under the Transaction Documents;

g. All audited financial statements delivered to Secured Party in connection with the Liabilities have been prepared in accordance with generally accepted accounting principles, and since the date of the most recent financial statement, there has been no material adverse change;

h. The Collateral will be used by Debtor only for business purposes;

i. Once delivered to Debtor, the Collateral will remain in good condition and repair (reasonable wear and tear excepted) and Debtor will not be negligent in the care and use thereof; and

j. The Collateral is, and will remain, free and clear of all liens, claims and encumbrances of every kind, nature and description, except for (i) liens created by Secured Party which shall be released upon payment in full of the purchase price by the Debtor to the Secured Party for the purchase of the Equipment, (ii) liens in favor of Secured Party, (iii) liens for taxes not yet due or for taxes being contested in good faith and which do not involve, in the reasonable judgment of Secured Party, any risk of the sale, forfeiture or loss of any of the Collateral, (iv) inchoate materialmen's, mechanic's, repairmen's and similar liens arising by operation of law in the normal course of business for amounts which are not delinquent, and (v) the lien of Sky Bank under the Loan Agreement amended from time to time, which such lien shall be subordinate to Secured Party (all of such permitted liens being hereinafter referred to as "Permitted Liens").

k. The Debtor will comply in all material respects with all laws, rules, regulations and orders of any governmental authority applicable to any part of the Collateral or to the operation of the Debtor's business; provided, however, that the Debtor may contest any such law, rule,

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regulation or order in any reasonable manner which does not, in the sole opinion of the Secured Party, adversely affect the Secured Party's rights or the priority of its liens on the Collateral.

### 3. COLLATERAL.

Until the declaration of any default hereunder, Debtor shall remain in possession of the Collateral; provided, however, that Secured Party shall have the right to possess (i) any chattel paper or instrument that constitutes a part of the Collateral and (ii) any other Collateral which because of its nature may require that Secured Party's security interest therein be perfected by possession. Secured Party, its successors and assigns, and their respective agents, shall have the right to examine and inspect any of the Collateral at any time during normal business hours upon at least 30 days prior notice. Upon any request from Secured Party, Debtor shall provide Secured Party with notice of the then current location of the Collateral.

Debtor shall (i) use the Collateral only in its trade or business, (ii) maintain all of the Collateral in good condition and working order (ordinary wear and tear excepted), (iii) use and maintain the Collateral only in compliance with all applicable laws and (iv) keep all of the Collateral free and clear of all liens, claims and encumbrances (except for Permitted Liens).

Debtor shall not, without the prior written consent of Secured Party, (i) remove any of the Collateral from the continental United States or (ii) sell, mortgage, grant a security interest in or otherwise transfer or encumber (except for Permitted Liens) any of the Collateral.

Debtor shall pay promptly when due all taxes, license fees, assessments and public and private charges levied or assessed on any of the Collateral, on the use thereof, or on this Agreement or any of the other Transaction Documents, except any such taxes, fees, assessments and charges which are being contested diligently in good faith and which have not become a lien on the Collateral. At its option, Secured Party may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral and may pay for the maintenance, insurance and preservation of the Collateral or to effect compliance with the terms of this Agreement or any of the other Transaction Documents. Debtor shall reimburse Secured Party, on demand, for any and all costs and expenses incurred by Secured Party in connection therewith and agrees that such reimbursement obligation shall be secured hereby.

Debtor shall, at all times, keep accurate and complete records of the Collateral, and Secured Party, its successors and assigns, and their respective agents, shall have the right to examine, inspect, and make extracts from all of Debtor's books and records relating to the Collateral at any time during normal business hours.

Any third person at any time and from time to time holding all or any portion of the Collateral shall be deemed to, and shall hold the Collateral as the agent of, and as pledge holder for, Secured Party. At any time and from time to time, Secured Party may give notice to any third person holding all or any portion of the Collateral that such third person is holding the Collateral as the agent of, and as pledge holder for, the Secured Party.

4. INSURANCE.

Debtor shall hold the Collateral at Debtor's risk, and Debtor shall keep it insured against loss or damage by fire and extended coverage perils, theft and burglary, and where requested by Secured Party, against other risks as required thereby, for the full replacement value thereof, with companies, in amounts and under policies acceptable to Secured Party. Debtor shall, if Secured Party so requires, deliver to Secured Party policies or certificates of insurance evidencing such coverage. Each policy shall name Secured Party as loss payee thereunder, shall provide for coverage to Secured Party regardless of the breach by Debtor of any warranty or representation made therein, shall not be subject to co-insurance, and shall provide for thirty (30) days prior written notice to Secured Party of the cancellation or material modification thereof. Debtor hereby appoints Secured Party as its attorney in fact to make proof of loss, claim for insurance and adjustments with insurers, and to execute or endorse all documents, checks or drafts in connection with payments made as a result of any such insurance policies. Proceeds of insurance shall be applied, at the option of Debtor, to repair or replace the Collateral (to the reasonable satisfaction of Secured Party) or to reduce any of the Liabilities.

5. REPORTS.

Debtor shall promptly notify Secured Party in the event of (i) any change in the name of Debtor, (ii) any relocation of its chief executive offices, (iii) any of the Collateral being lost, stolen, missing, destroyed, materially damaged or worn out, or (iv) any lien, claim or encumbrance attaching or being made against any of the Collateral other than Permitted Liens.

Debtor agrees to furnish its annual financial statements and such interim statements as Secured Party may require in form satisfactory to Secured Party. Any and all audited financial statements submitted and to be submitted to Secured Party have and will have been prepared on a basis of generally accepted accounting principles, and are and will be complete and correct and fairly present Debtor's financial condition as at the date thereof. Secured Party may at any reasonable time examine the books and records of Debtor and make copies thereof.

6. FURTHER ASSURANCES.

Debtor shall, upon request of Secured Party, furnish to Secured Party such further information, execute and deliver to Secured Party such documents and instruments (including, without limitation, Uniform Commercial Code financing statements) and do such other acts and things, as Secured Party may at any time reasonably request relating to the perfection or protection of the security interest created by this Agreement or for the purpose of carrying out the intent of this Agreement. Without limiting the foregoing, Debtor shall cooperate and do all acts deemed necessary or advisable by Secured Party to continue in Secured Party a perfected first security interest in the Collateral, and shall obtain and furnish to Secured Party any subordinations, releases, landlord, lessor, or mortgagee waivers, and similar documents as may be from time to time requested by, and which are in form and substance satisfactory to Secured Party.

Debtor hereby grants to Secured Party the power to sign Debtor's name and generally to act on behalf of Debtor to execute and file applications for title, transfers of title, financing statements, notices of lien and other documents pertaining to any or all of the Collateral. Debtor shall, if any certificate of title be required or permitted by law for any of the Collateral, obtain

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such certificate showing the lien hereof with respect to the Collateral and promptly deliver same to Secured Party.

The Debtor agrees to defend, indemnify and hold harmless the Secured Party against any and all liabilities, costs and expenses (including, without limitation, legal fees and expenses): (i) with respect to, or resulting from, any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, any delay in complying with any law, rule, regulation or order of any governmental authority applicable to any of the Collateral, or (iii) with respect to or arising from any default in or breach of any obligations of the Debtor hereunder.

## 7. SECURED PARTY'S APPOINTMENT AS ATTORNEY-IN-FACT.

(a) The Debtor hereby appoints the Secured Party, and any officer or agent of the Secured Party, with full power of substitution, as its attorney-in-fact with full irrevocable power and authority in the place of the Debtor and in the name of the Debtor or in its own name, from time to time in the Secured Party's discretion so long as an Event of Default has occurred and is continuing, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any instrument which may be necessary or desirable to accomplish the purposes of this Agreement. Without limiting the foregoing, so long as an Event of Default has occurred and is continuing, the Secured Party shall have the right, without notice to, or the consent of, the Debtor, to do any of the following on the Debtor's behalf:

(i) to pay or discharge any taxes or liens levied or placed on or threatened against the Collateral;

(ii) to direct any party liable for any payment under any of the Collateral to make payment of any and all amounts due or to become due thereunder directly to the Secured Party or as the Secured Party directs;

(iii) to ask for or demand, collect, and receive payment of and receipt for, any payments due or to become due at any time in respect of or arising out of any Collateral;

(iv) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to enforce any right in respect of any Collateral;

(v) to defend any suit, action or proceeding brought against the Debtor with respect to any Collateral;

(vi) to settle, compromise or adjust any suit, action or proceeding described in subsection (v) above and, to give such discharges or releases in connection therewith as the Secured Party may deem appropriate;

(vii) to assign any patent right constituting part of the Collateral of Debtor (along with the goodwill of the business to which any such patent right pertains), throughout

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the world for such term or terms, on such conditions, and in such manner, as the Secured Party shall in its sole discretion determine; and

(viii) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral, and to take, at the Secured Party's option and the Debtor's expense, any actions (including taking possession of the Collateral) which the Secured Party deems necessary to protect, preserve or realize upon the Collateral and the Secured Party's liens on the Collateral and to carry out the intent of this Agreement, in each case to the same extent as if the Secured Party was the absolute owner of the Collateral for all purposes.

The Debtor hereby ratifies whatever actions the Secured Party shall lawfully do or cause to be done in accordance with this provision. This power of attorney shall be a power coupled with an interest and shall be irrevocable.

(b) No Duty on Secured Party's Part. The powers conferred on the Secured Party by this provision are solely to protect the Secured Party's interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Secured Party nor any of its officers, directors, employees or agents shall, in the absence of willful misconduct or gross negligence, be responsible to the Debtor for any act or failure to act pursuant to this provision.

## 8. EVENTS OF DEFAULT.

Each of the following shall be an event of default ("Event of Default") under this Agreement and each of the other Transaction Documents:

- a. Debtor fails to pay any installment or other amount due or coming due under the Note within twenty (20) days after its due date;
- b. Any attempt by Debtor, without the prior written consent of Secured Party, to sell, mortgage, grant a security interest in, or otherwise transfer or encumber (except for Permitted Liens) any of the Collateral;
- c. Debtor fails to procure, or maintain in effect at all times, any of the insurance on the Collateral in accordance with Section 4 of this Agreement;
- d. Debtor breaches any of its other obligations under any of the Transaction Documents and fails to cure the same within thirty (30) days after written notice thereof;
- e. Any warranty, representation or statement made by Debtor in any of the Transaction Documents or otherwise in connection with any of the Liabilities shall be false or misleading in any material respect;
- f. Any of the Collateral being subjected to, or being threatened with attachment, execution, levy, seizure or confiscation in any legal proceeding or otherwise;



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g. Any default by Debtor under any other agreement between Debtor and Secured Party;

h. Any dissolution or liquidation, consolidation, or insolvency of Debtor, and any merger of Debtor with or into another legal entity unless the entity surviving the merger has a net worth which is at least equal to the net worth of the Debtor immediately prior to the merger and the surviving entity expressly assumes all the obligations of Debtor under this Agreement and the Note;

i. The appointment of a receiver for all or of any part of the property of Debtor or any assignment for the benefit of creditors by Debtor; or

j. The filing of a petition by Debtor under any bankruptcy, insolvency or similar law, or the filing of any such petition against Debtor if the same is not dismissed within thirty (30) days of such filing.

## 9. REMEDIES ON DEFAULT.

Upon the occurrence of an Event of Default, the Secured Party, at its option, may declare any or all of the Liabilities to be immediately due and payable, without demand or notice to Debtor. The Liabilities shall bear interest (both before and after any judgment) until paid in full at the lesser of fifteen percent (15%) per annum or the highest rate not prohibited by applicable law.

Upon the occurrence of an Event of Default, Secured Party shall have all of the rights and remedies of a Secured Party under the Uniform Commercial Code as enacted in California or any other applicable jurisdiction, and under any other applicable law. Without limiting the foregoing, Secured Party shall have the right to (i) notify any account debtor of Debtor or any obligor on any instrument or account which in either cases constitutes part of the Collateral to make payment to the Secured Party, (ii) with or without legal process, enter any premises where the Collateral may be and take possession and/or remove said Collateral from said premises, (iii) sell the Collateral at public or private sale, in whole or in part, and have the right to bid and purchase at said sale, and/or (iv) lease or otherwise dispose of all or part of the Collateral, applying proceeds therefrom to the Liabilities. If requested by Secured Party, Debtor shall promptly assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties. Secured Party may also render any or all of the Collateral unusable at the Debtor's premises and may dispose of such Collateral on such premises without liability for rent or costs. Any notice which Secured Party is required to give to Debtor under the Uniform Commercial Code of the time and place of any public sale or the time after which any private sale or other intended disposition of the Collateral is to be made shall be deemed to constitute reasonable notice if such notice is given to the last known address of Debtor at least five (5) days prior to such action.

Proceeds from any sale or lease or other disposition shall be applied: first, to all costs of repossession, storage, and disposition including without limitation attorneys', appraisers', and auctioneers' fees; second, to discharge the Liabilities to expenses incurred in paying or settling liens

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and claims against the Collateral; and lastly, to Debtor, if there exists any surplus. Debtor shall remain fully liable for any deficiency.

In the event this Agreement, any Note or any other Transaction Documents are placed in the hands of an attorney for collection of money due or to become due or to obtain performance of any provision hereof, Debtor agrees to pay all reasonable attorneys' fees incurred by Secured Party, and further agrees that payment of such fees is secured hereunder.

Secured Party's rights and remedies hereunder or otherwise arising are cumulative and may be exercised singularly or concurrently. Neither the failure nor any delay on the part of the Secured Party to exercise any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Secured Party shall not be deemed to have waived any of its rights hereunder or under any other agreement, instrument or paper signed by Debtor unless such waiver be in writing and signed by Secured Party. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion.

DEBTOR HEREBY UNCONDITIONALLY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, ANY OF THE OTHER TRANSACTION DOCUMENTS, ANY OF THE LIABILITIES SECURED HEREBY, ANY DEALINGS BETWEEN DEBTOR AND SECURED PARTY RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN DEBTOR AND SECURED PARTY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS). THIS WAIVER IS IRREVOCABLE MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

The Secured Party shall not by any act, delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any default under the Note or in any breach of any of the terms and conditions of this Agreement or the Note. No failure to exercise, nor any delay in exercising, on the part of the Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Secured Party of any right or remedy under this Agreement on any one occasion shall not be construed as a bar to any right or remedy which the Secured Party would otherwise have on any subsequent occasion. The rights and remedies provided in this Agreement are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

## 10. MISCELLANEOUS.

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If the Debtor fails to perform or comply with any of its agreements or covenants contained in this Agreement or the Note and the Secured Party performs or complies, or otherwise causes performance or compliance, with such agreement or covenant in accordance with the terms of this Agreement, then the reasonable expenses of the Secured Party incurred in connection with such performance or compliance shall be payable by the Debtor to the Secured Party on demand and shall constitute obligations secured by this Agreement.

The sole duty of the Secured Party with respect to the custody, safekeeping and preservation of the Collateral, under the applicable provisions of the Uniform Commercial Code or otherwise, shall be to deal with it in the same manner as the Secured Party deals with similar property for its own account. Neither the Secured Party nor any of its directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Debtor or otherwise.

This Agreement, any Note and/or any of the other Transaction Documents may be assigned, in whole or in part, by Secured Party without notice to Debtor, and Debtor hereby waives any defense, counterclaim or cross-complaint by Debtor against any assignee, agreeing that Secured Party shall be solely responsible therefor.

All notices to be given in connection with this Agreement shall be in writing, shall be addressed to the parties at their respective addresses set forth herein above (unless and until a different address may be specified in a written notice to the other party), and shall be deemed given (i) on the date of receipt if delivered in hand or by facsimile transmission, (ii) on the next business day after being sent by express mail, and (iii) on the fourth business day after being sent by regular, registered or certified mail. As used herein, the term "businessday" shall mean and include any day other than Saturdays, Sundays, or other days on which commercial banks in Los Angeles, California are required or authorized to be closed.

Time is of the essence hereof. This Agreement shall be binding, jointly or severally, upon all parties described as the "Debtor" and their respective heirs, executors, representatives, successors and assigns, and shall inure to the benefit of Secured Party, its successors and assigns.

This Agreement and the other Transaction Documents constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior understandings (whether written, verbal or implied) with respect thereto. This Agreement shall not be changed or terminated orally or by course of conduct, but only by a writing signed by both parties hereto. Section headings contained in this Agreement have been included for convenience only, and shall not affect the construction or interpretation hereof.

This Agreement shall continue in full force and effect until all of the Liabilities have been indefensibly paid in full to Secured Party. The surrender, upon payment or otherwise, of any Note or any of the other documents evidencing any of the Liabilities shall not affect the right of Secured Party to retain the Collateral for such other Liabilities as may then exist or as it may be reasonably contemplated will exist in the future. This Agreement shall automatically be reinstated in the event that Secured Party is ever required to return or restore the payment of all or any portion of the Liabilities (all as though such payment had never been made).

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Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any such situation or in any other jurisdiction.

This Agreement shall be governed by the laws of the State of California applicable to contracts made and to be performed therein without giving effect to the principles of conflict of laws thereof.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, Debtor and Secured Party, intending to be legally bound hereby, have duly executed this Agreement as of the day and year first aforesaid.

SECURED PARTY:

SOUTHERN PACIFIC BANCAPITAL,  
a Division of Southern Pacific Bank

By:

Carolyn S. Maddox  
Carolyn S. Maddox  
Vice President

DEBTOR:

KASGRO LEASING, LLC

By:

Its:

Jimmy A. Platt  
EXEC. VP

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SCHEDULE A  
to  
Security Agreement dated as of August 29, 2001

Equipment Location: Kasgro Leasing LLC  
320 E. Cherry Street  
New Castle, PA 16102

Note: Equipment shall be leased to various lessees for short terms.

Original Cost of Equipment:

I. EQUIPMENT:

The following Equipment:

<u>Qty.</u>	<u>Description</u>	<u>Car Number</u>
1	25' 210 Ton 8 Axle FD Flat Car	KRL 25201
6	22' 122 Ton 8 Axle FD Flat Car	KRL 25979
		KRL 25980
		KRL 25981
		KRL 25982
		KRL 25983
		KRL 25984
1	27' 235 Ton 8 Axle FD Flat Car	KRL 27104
2	88' 115 Ton 4 Axle Flat Car	KRL 89117
		KRL 89118

Acknowledgement

I, Jeffrey A. Plot, certify that I am EXEC. V.P. of Kasgro Leasing LLC (the "Corporation"), that the instrument was signed on behalf of the Corporation by authority of its Board of Directors, and that I acknowledge that the execution of the foregoing instrument was the free act and deed of the Corporation. I further declare under penalty of perjury that the foregoing is true and correct.

Executed on August 29, 2001

By: Jeffrey A. Plot

Title: EXEC. V.P.

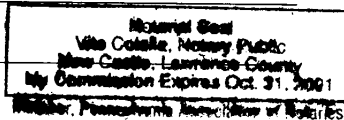
State of PA

County of Lancaster

On this 28 day of Aug, 2001 before me personally appeared JEFFREY A. PLOT, to me personally known, who being by me duly sworn, says that (s)he is the EX VICE PRES of Kasgro Leasing, LLC, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Signature: Vito Colicella

My commission expires



Certificate of Filer

I, Carolyn S. Maddox, have compared the copy of the foregoing instrument with the original and found the copy to be complete and identical in all respects to the original document and I declare under penalty of perjury that the foregoing is true and correct.

Executed on Aug. 29, 2001

By: Carolyn S. Maddox

Title: Vice President